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SAPC-2081

Copy 1 of 7

11 October 1955

MEMORANDUM FOR THE RECORD

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SUBJECT: Contract No. EQ-1806, Eastman Kodak Company
Project [] Minicard Equipment

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1. Subject contract presently contemplates the purchase of certain standard and special processing equipment and the purchase of some [] of Minicard equipment. The latter equipment is presently scheduled to remain at Rochester and to become a part of the film processing facility being established there under Contract No. FP-1054. In addition, some [] additional Minicard equipment is being considered for location in the Agency.

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2. The decision to utilize Minicard equipment for storage and retrieval purposes on Project [] (a sub-project under Project ACQUATONE) stems from a prior Agency decision to procure such equipment for OCD, pursuant to authority of PRC Action dated 16 May 1955. This PRC Action took cognizance of the fact that the Department of the Air Force was sponsoring development of the Minicard system at Eastman Kodak Company and it was the desire of the Agency to adopt a data handling system common to the intelligence community and it was considered that Minicard would develop into such a common system. []

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3. Subsequently when the problem of storage and retrieval on Project ACQUATONE was considered, the precedent established by OCD's decision to utilize Minicard for storage and retrieval was followed for the sake of Agency wide compatibility of systems and equipment. Letter Contract No. EQ-1806 with Eastman Kodak Company, incorporating in its scope of work the furnishing of certain basic Minicard equipment, was signed by the Contractor on 10 June 1955, covering ACQUATONE equipment. *84/5*

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5. Subsequently the Air Force and Eastman became enmeshed in negotiation difficulties having to do primarily with procedural aspects of the procurement and with policy questions on audit and retroactive costs and [REDACTED]

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[REDACTED] Eastman, therefore, was in a position to begin deliveries of the so-called record unit for us but had no procurement order from the Air Force to do so.

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6. At this stage it was suggested by OCD, and agreed by Eastman, that the OCD requirement for Minicard equipment should be withdrawn from the [REDACTED] and placed under AQUATONE, under our Contract No. EQ-1806 with Eastman which includes delivery of Minicard equipment. This procedure is consistent with established Agency policy. It would coordinate all Agency Minicard procurement into one contract thus providing greater flexibility, and it would provide a clear-cut channel between the Agency and Eastman to handle technical and administrative problems in connection with the equipment itself and its procurement. Otherwise the Agency is dealing directly with Eastman on one set of Minicard equipment and through the Air Force on a similar set of equipment.

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7. The above suggested procedure was discussed with [REDACTED] Agency Comptroller, [REDACTED]

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[REDACTED] to Eastman for the same equipment and at the same estimated cost. Subsequently Lt. Colonel Pelligrini of ARDC, the Air Force R&D officer monitoring the Air Force contract with Eastman, was contacted and he agreed to the suggested procedure and stated that [REDACTED] the Agency requirement for Minicard [REDACTED] would cause the Air Force no difficulties since they had originally agreed to [REDACTED] and not as justification for their own procurement.

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8. The present status is that the Air Force has finally drafted a separate contract with Eastman for OCD Minicard requirements and submitted it to Eastman for approval. However this contractual document is not entirely acceptable to Eastman and they propose not to sign this contract and await a commitment from the Agency to combine its entire ~~financial~~ *minicard* procurement under Contract No. EQ-1806. Eastman will then return the contract unsigned to the Air Force and proceed to deliver the OCD equipment under EQ-1806. [REDACTED]

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[REDACTED] The comptroller will make the funds originally committed to [REDACTED] available for commitment under Contract No. EQ-1806 and an amendment to the latter contract will be issued to Eastman for the OCD equipment.

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9. The procedural steps required are as follows:

(a) Letter to Eastman over Contracting Officer's signature to the effect that we propose to purchase the Minicard equipment required by OCD under Contract No. EQ-1806, when appropriate funds become available [redacted]

I have written this letter. RAC

(b) Memorandum to OCD to the Office of Logistics requesting that such office cancel our commitment to [redacted] for the OCD Minicard equipment.

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[redacted]

with full assignment SAC

(d) Notice by the Comptroller that the [redacted] has been [redacted] and is available for obligation under Contract No. EQ-1806.

(e) Amendment to Contract No. EQ-1806 expanding the scope of work to include the OCD Minicard requirement and increasing the estimated price of this contract by [redacted]. Actually OCD has [redacted] available for this procurement but only [redacted] committed [redacted]. The additional [redacted] is a reserve which was to be added to [redacted] contract in the event the equipment cost was in excess of [redacted]. Such [redacted] should be held in reserve under Contract No. EQ-1806, for use if needed.

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10. Contract No. EQ-1806 is a redeterminable fixed price type contract. Eastman has given us positive assurance that the cost of the Minicard equipment under Contract No. EQ-1806 will be no more than under the Air Force arrangement. R&D costs of the equipment were not to be charged under the Air Force arrangement and likewise will not be charged under Contract No. EQ-1806. The Agency, will, however, pay R&D costs under EQ-1806 whenever we desire Eastman to develop new or different equipment (different from that being sponsored by the Air Force) or whenever we desire modifications of equipment already developed.

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11. It is, therefore, recommended that the Agency [redacted]

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[redacted] proceed to purchase all Minicard equipment required by the Agency under the single contract negotiated with Eastman for this purpose - Contract No. EQ-1806.

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[redacted]

Contracting Officer

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CONCURRENCE:

APPROVED:

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[redacted]

[redacted]

General Counsel

Project Director - Project AQUATONE

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[redacted]

10/19/55

Comptroller

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[redacted]

will be obligated initially for this addition to EQ-1806, pursuant to proposal received from Eastman subsequent to above date. This was checked with [redacted] by undersigned.

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[redacted]

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[redacted]